

Remodeling a Business

by Mary James

It would be hard to imagine a more ardent, outspoken proponent of home performance principles than Darin Hughes, president of Hughesco, Incorporated, in Amherst, New York. “We don’t guess,” Hughes says succinctly. He’s describing the process Hughesco auditors use during their first visits to houses with performance problems. He is also capturing what distinguishes his business from other repair and remodeling businesses. Instead of guessing, a Hughesco auditor uses diagnostic tests—a blower door test and infrared scans to identify air leakage, a heating system efficiency test, and health and safety tests—to identify a home’s problems. The refrigerator, clothes washer, dishwasher, and dryer are checked to see if upgrading them makes sense. The auditor determines whether the furnace needs to be replaced, and if so, specifies the proper equipment. He or she even evaluates the lighting to suggest the most cost-effective locations for CFLs. And then that auditor will deliver the unvarnished goods: the solutions that will make the house more comfortable, healthier, and more energy efficient. Hughes is strongly opposed to high-pressure sales techniques or attempts to sell a family more fixes than they need. “I hire people who understand what they are doing and know how to tell the truth,” says Hughes.

This business model has been wildly successful. Hughesco is on track to deliver more than \$7 million worth of home performance work this year. The comprehensive audit that Hughesco offers has been key to that growth; approximately 70% of all audits become paying jobs. “If a homeowner walks through an audit with us, they will know more by the end than 99% of all contractors out there,” says Hughes. During the education process, Hughes



HUGHESCO, INC.

is also building the customer’s interest in how a home can work better (see “A Warmer, Tighter House”). And he wouldn’t think of just walking away from all that interest without talking business. “The customer feels very educated,” says Hughes. “They’re as excited as they’re ever going to be.” Most of the time—70% of the time—they will sign a contract on that first visit.

This one-stop close approach to selling home performance jobs requires an auditor to estimate the cost of the labor and equipment on the spot—an approach that not every contractor may feel comfortable with. In addition to providing cost estimates, Hughesco auditors also deliver predicted energy savings in that first visit, without using any modeling software. “Our calculations that we do in a house are better than any software,” says Hughes, “because we know houses. There aren’t enough variables in a software program.” Embedded in his calculations are the R-values of the walls, the ACH rates in the house, and the efficiency of the furnace—all before and after improvements are made. Hughes has taught his auditors always to underpredict the energy savings, so that the actual savings are a bonus.

Occasionally homeowners don’t see the savings he predicts, but with a little

sleuthing Hughes can usually figure out why. Hughes worked on the home of Linda Pellegrino, a cohost of *AM Buffalo*, a television show that Hughes appears on regularly. One day when he walked on the stage of the live show, Pellegrino was waving her bill at him from across the room, saying that she hadn’t seen any savings. A quick look at her bill told Hughes that the usage was an estimated amount. “Wait until your next bill when you will get the actual usage,” he said on live TV, “and you will see at least a 50% savings on your heating bill.” Four weeks later, as he approached the set, Pellegrino was waving around a different bill. Her savings were closer to 70%. “That afternoon, after that segment, I got 30 phone calls from new customers,” says Hughes.

Conviction can be a great marketing tool. Hughes has been in the construction business since he first picked up a hammer at the age of 18. Thirteen years ago he started his own remodeling business. But it was a visit from a Home Performance with Energy Star representative two years ago that really got his business jumping. The representative approached Hughes to talk him into taking a general home performance training. Hughes willingly signed up. “I was just looking to be a



(left) A Hughesco employee air seals a home to reduce drafts and heat loss. (right) Another employee performs a furnace inspection. Here he is testing for carbon monoxide.

better remodeler,” he says. Because he had been a general contractor for so many years, the principles of the Home Performance with Energy Star program made sense to him immediately (see “Home Performance Expands Across Country,” *HE* May/June ‘04, p. 40).

Inspired by the training, Hughes started selling jobs based on house-as-a-system diagnostics and energy savings.

He soon noticed that that branch of his business was doing quite well, so he reinvested his profits there. Eighteen months ago, his company had just started doing blower door testing. Since then, Hughesco has become the largest fully comprehensive home performance contractor in New York State and has garnered an award from the New York State Energy Research and

Development Authority (NYSERDA) for excellence in Energy Star savings. For Hughes, the strength of the Energy Star program lies in its comprehensive approach to evaluating a home, which is useful not just in cold climates, but in any climate. Whether a particular house is in a cooling or a heating climate, says Hughes, “we’re stopping heat transfer and drafts either way, and we’re replacing appliances with more efficient equipment.”

Today Hughesco owns ten blower doors and five infrared cameras, and Hughes has 25 new employees helping him keep up with his booming home performance business. Managing that level of growth can be challenging, but Hughes appears to be thriving. “I’m a total type A personality,” says Hughes. “I’m up at 4 am and down at 6 pm.” His business expansion rests on three principles. First, he believes in a pay-as-you-go approach. “I’m a zero-debt company,” he says. Second, he believes in proactively hiring and training new employees so that he never has to turn work away. Hughesco’s five BPI-certified auditors can train new employees—an approach Hughes favors over searching for already-qualified workers. “I hire more for attitude and personality,” he says. However, Hughes makes an exception for HVAC technicians; for them, his phi-

A Warmer, Tighter House

Heather Knight was paging through the *Amherst Metro* one Saturday in January when an ad caught her eye. The ad, placed by Hughesco, Incorporated, was promoting home improvement work that could deliver energy savings, but what really caught her eye was the information on the 50% subsidy being offered by a state program. “That was a big attraction,” says Knight. So she gave Hughesco a call.

Her main complaint about her home revolved around its energy usage. “We wanted to be able to save on our gas and electric bills, and we knew our furnace was getting old,” says Knight. Old as in 23 years old. Replacing the furnace was an easy con-

clusion for just about anyone to reach. Deciding what else the house needed took a whole-house audit, which is what Hughesco delivers to all of its customers. “They were very knowledgeable,” says Knight, who accompanied Andrew Grabowski on the audit. “It was neat to watch him walk through our home with his camera and see where the house leaked.” The camera she mentions is an infrared camera that senses temperature differences; in winter, a scan of the house will highlight areas where cold air is leaking into the house.

Her son’s bedroom was always cold. Grabowski pointed out that the bed was restricting the flow of air into the return

register. A little furniture rearranging solved that problem. Other cold spots took a little more work to resolve. Hughesco air sealed the windows and doors throughout the house and added 12 inches of blown-in cellulose to the attic. The Knight’s furnace was replaced with a new 92 annual fuel utilization efficiency natural gas furnace.

In addition to tightening the house, Grabowski persuaded Knight to replace the incandescent bulbs in her frequently-used fixtures with CFLs. “The next month our gas bill was \$60 lower and our electric bill was \$40 lower,” says Knight happily. And she adds, “Our house stays significantly warmer.”

losophy is to hire the best available. He offers all of his employees good benefits packages in order to attract and retain the best available.

Finally, Hughes brings all repair and remodeling work in-house, feeling that it is pointless to sell a job and then have to give part of the work away to another company. Whatever services customers need, or think they need, Hughesco will supply. If a customer wants windows even though Hughes has explained that windows will not deliver the energy savings the customer was hoping for, he'll install windows. As energy savings became a major selling point for his company, Hughes brought HVAC expertise in-house and developed his own sizing charts for furnace replacement jobs. "We're better than any program out there," says Hughes. "We properly size." They know the R-value of any insulation they will be installing and what the air change rate of the house will be after they've

performed all the work. An auditor always tests out the home when a job is almost finished to be sure that all performance goals have been reached. If more work is needed, Hughesco will keep working. "We'll stay until we reach our goals," says Hughes.

Hughes is just as careful getting into jobs as he is at completing the ones he develops. All potential customers go through a prequalifying check by Energy Finance Solutions, who handles financing for the NYSEDA program. As Hughes says, "I can't sell to them if they don't have the cash." Hughes has made arrangements so that his customers, if they decide to apply, can have access to various types of financing, including cash loans, home equity loans, and state financing through NYSEDA. If customers prequalify for financing, then Hughesco doesn't charge for an audit, since the audit is such a great selling tool and almost no one would be willing to pay

what it costs Hughes to provide it. "Even if I charged \$500 for the audit, that wouldn't cover my costs," says Hughes.

To fuel the expansion of his business, Hughes has become a familiar presence in the Buffalo and Rochester media. Hughes or his auditors appear on two television shows weekly and host one half-hour radio show on Saturday mornings. He also regularly appears in print, answering home performance questions for the *Buffalo News*. And, as always, customer referrals are a mainstay of his business; 20%-30% of his new jobs come from satisfied customers. Rochester and Buffalo are just the beginning of Hughes's home performance territory. He has plans to expand his business into two more cities. And after that, well, nearby states are looking tempting.

Mary James is the publisher of *Home Energy*.



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